



**Glenda Ritz, NBCT**

Indiana Superintendent of Public Instruction

## **INDIANA SCHOOL SCHOLARSHIP TAX CREDIT/SGO PROGRAM**

### **Donor Frequently Asked Questions**

May 27, 2014

#### **1) What is a Scholarship Granting Organization (SGO)?**

A certified Scholarship Granting Organization (SGO) is an entity that awards scholarships to eligible students. Qualified SGOs receive funding for scholarships from private, charitable donations. Those who have donated to an SGO approved by the Department of Education will then be eligible to take advantage of a 50 percent credit against their individual or corporation state-tax liability.

#### **2) How does an organization become an SGO?**

An organization that seeks certification as an SGO must submit the application and agreement as well as documents that establish eligibility under applicable statutes and rules to the Indiana Department of Education (DOE). The documents must include:

1. Proof of 501(c)(3) status
2. Proof, through articles of incorporation or other documents, that the organization is organized at least in part to grant school scholarships
3. Program policies
4. Program procedures
5. Promotional or descriptive materials about the program, including eligibility criteria and application forms

The application and supporting documentation are submitted to:

Indiana Department of Education  
Attn: Fatima Carson  
South Tower, Suite 600  
115 W. Washington Street  
Indianapolis, IN 46204

#### **3) What is the total contribution and credit amount?**

There are no limits to how much a donor can contribute to a qualified SGO, however, the entire tax credit program cannot award more than \$7.5 million in credits per state fiscal year (July 1 – June 30). There is no cap on the number of tax credits a donor can secure to the extent they are available. The Indiana Department of Revenue provides the total credits awarded to date on their website at <http://www.in.gov/dor/4305.htm>. This total is updated regularly throughout the State Fiscal year.

#### **4) How do I claim a credit for my donation?**

The School Scholarship Credit Form is available on the Indiana Department of Revenue website, <http://www.in.gov/dor>, Individual Income Tax Forms> Other Individual Tax Forms/Schedules/EIC Publication> IN-SSC, Form 54242, School Scholarship Credit

**5) Could an individual/entity making a donation to an SGO designate a specific school that SGO scholarship students would use a scholarship to attend?**

Yes. The legislation does not place any restrictions on a donor designating the use of his/her gift. But, if the SGO's "general donation" balance were to run out, and the SGO began saying that the only funds left were funds for a student to go to the donor-designated school, that could have the effect of violating the "no one-school-only" provision of 20-51-3-5 (as amended by 1003). The Department believes that in this situation, the SGO would need to hold off on any new scholarships until it had sufficient funds to account for applicants that wanted to attend another school to which the SGO provides scholarships—unless it was absolutely clear that the applicant explicitly wanted to go to the donor-designated school and was not compelled to do so.

Two additional points on this question:

- IC 20-51-3-5 provides that the schools for which an SGO designates scholarships **cannot** have paid employees (or a household relative of a paid employee) in common with the SGO.
- If a donation is made on behalf of an individual student, that would be considered a tuition payment – rather than an SGO donation – and thus would not be eligible for the tax credit.

**6) To meet the 'more than one school' requirement, is the SGO required to offer scholarships to multiple schools at the same grade level?**

No. The statutory language is silent on this matter. An SGO could offer scholarships to an elementary school and a high school. However, IC 20-51-3-5 would apply regardless.

**7) Are there any rules regarding the SGO's preferred size of a scholarship award?**

There is no minimum amount that an SGO must award to an eligible student. However, after June 30, 2013, an SGO award must be at least five hundred dollars (\$500) in order for that student, or the student's sibling, to qualify later for a Choice Scholarship under the Previous SGO Award Pathway. This rule only applies to a student or a sibling of the student who receives an SGO award for the first time after June 30, 2013 and otherwise meets the income eligibility requirements of the program.

**8) Are there any financial audit or reporting requirements for SGOs?**

IC 20-51-3-6 and 20-51-3-10 require SGOs to file an annual report with the Department of Education that lists the total number and total dollar amount of scholarships awarded in the previous school year. Additionally, SGOs must contract with an independent certified public accountant for an annual financial audit that must be provided to the department—and may be requested by a member of the public.

The Department also strongly recommends that persons interested in forming an SGO review the Department's rule, available at <http://www.doe.in.gov/choice/school-scholarships>. Among other provisions, the rule requires SGOs to maintain information on scholarship recipients for five (5) years after the end of the last school year that a student applied for a scholarship.